

Message Text

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ACTION EB-11

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FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC PRIORITY 8264

INFO USDOC

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PASS OPIC

E O 11652: NA

TAGS: EGEN, BTRA, IV

SUBJ: COLGATE-PALMOLIVE INVESTMENT IN IVORY COAST

REF: STATE 105513; TANANARIVE A-039 OF APRIL 3, 1973

1. EMBOFFS DISCUSSED COLGATE-PALMOLIVE INVESTMENT PROJECT WITH OUMAR DIARRA, DIRECTOR INDUSTRIAL DEVELOPMENT, MINPLAN, AND IT IS LIKELY THAT IF COLGATE DOES NOT AGREE TO SOME FORM OF IVORIAN PARTICIPATION, GOIC WILL DISAPPROVE REPEAT DISAPPROVE COLGATE'S PROPOSAL.

2. BACKGROUND: SINCE 1967 COLGATE HAS BEEN EXAMINING POSSIBILITY OF SETTING UP PLANT IN IVORY COAST. FORMAL PROPOSAL SUBMITTED TO MINPLAN JUNE 1973. DURING ALL PRELIMINARY ACTIVITIES, NO MENTION WAS MADE OF POSSIBLE IVOIRIAN PARTICIPATION IN PROJECT. DIARRA TRACED RECENT GOIC EFFORTS TO INTEREST COLGATE IN PERMITTING IVOIRIAN BUSINESSMEN TO PARTICIPATE IN COLGATE'S DOLS 2,000,000 TOOTHPASTE AND SOAP FACTORY.

A. ON FEBRUARY 14, 1974, MINISTER OF PLAN DIAWARA WROTE TO G. J. DIETEMAN, CONTROLLER, INTERNATIONAL BUSINESS DEVELOPMENT, COLGATE-PALMOLIVE COMPANY, 300 PARK AVENUE, NEW YORK TO INFORM LATTER THAT ALTHOUGH COLGATE HAD HIS AGREEMENT IN PRINCIPLE TO ESTABLISH A FACTORY IN IVORY COAST, SOME NEW ELEMENTS HAD

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ARISEN WHICH HE WOULD LIKE TO DISCUSS DURING HIS DIAWARA'S)

TRIP TO NEW YORK END MARCH BEGINNING APRIL. HE INFORMED COLGATE THAT A GROUP OF IVOIRIANS HAD VERBALLY INFORMED HIM EARLY IN 1973 OF THEIR INTEREST IN SETTING UP SIMILAR ENTERPRISE AND THAT THIS GROUP HAD NOW OFFICIALLY INFORMED HIM OF THEIR PROJECT. (IVOIRIAN GROUP ONLY RECENTLY FORMED DOMESTIC COMPANY, COSMIVOIRE, CAPITALIZED AT DOLS 200,000. PARTICIPANTS APPARENTLY WELL CONNECTED POLITICALLY.) DIAWARA INFORMED COLGATE THAT THE IVOIRIAN GROUP HAD EXPRESSED AN INTEREST IN NEGOTIATING A "PROCESSING DEAL" (SIC) WITH COLGATE WHEREBY IVORIAN COMPANY WOULD PRODUCE COLGATE PRODUCTS IN THE IVORY COAST UNDER LICENSE.

B. ACCORDING TO DIARRA, DIETEMAN RECEIVED THE LETTER FEBRUARY 28, AND FAILED TO RESPOND THERETO. RATHER, ON MARCH 4, COLGATE SENT ITS SOUTH AFRICA-BASED REPRESENTATIVE TO IVORY COAST TO ACCELERATE THE LEGAL WORK NECESSARY TO CREATE COLGATE'S IVORY COAST SUBSIDIARY. COLGATE REPRESENTATIVE (FRANKLIN KNELLER) MET WITH IVOIRIAN BUSINESSMEN MENTIONED IN DIAWARA'S LETTER AND, ACCORDING TO DIARRA, NO PROGRESS WAS MADE TOWARD AGREEMENT PROVIDING FOR SOME FORM OF IVOIRIAN PARTICIPATION IN CLGATE OPERATION. (EMBOFFS MET AT THAT TIME WITH KNELLER WHO EXPRESSED VIEW THAT GOIC WAS ATTEMPTING AT LAST MOMENT TO FORCE COLGATE TO ACCEPT UNWANTED AND INEXPERIENCED IVOIRIANS AS PARTICIPANTS. KNELLER CHARACTERIZED THIS APPROACH AS "BLACK MAIL" AND INDICATED THAT NEW YORK OFFICE WOULD LIKELY REJECT ANY IVOIRIAN PARTICIPATION SINCE ALL COLGATE OVERSEAS OPERATIONS ARE 100 PERCENT OWNED BY PARENT COMPANY.)

C. ON MARCH 28, MINISTER DIAWARA MET IN NEW YORK WITH MESSRS. DIETEMAN, HALL AND HACKES OF COLGATE AND ATTEMPTED TO PERSUADE THEM THAT IT WAS IN THEIR INTEREST TO ACCEPT PARTICIPATION OF IVOIRIAN INTERESTS. ACCORDING TO DIARRA, COLGATE MAINTAINED ADAMANT POSITION THAT THEY WOULD ACCEPT NO REPEAT NO IVOIRIAN PARTICIPATION. MINISTER DIAWARA WAS APPARENTLY INCENSED AT INSENSITIVITY OF COLGATE OFFICIALS TO IVOIRIAN VIEW THAT IVOIRIAN NATIONALS SHOULD BE PERMITTED TO PARTICIPATE IN COLGATE VENTURE IN ONE FORM OR ANOTHER; PRESIDENT HOUPHOUET-BOIGNY HAD REPEATEDLY STRESSED TO FOREIGN BUSINESS COMMUNITY NECESSITY TO IVOIRIANIZE NOT ONLY PERSONNEL BUT ALSO OWNERSHIP.

D. DIARRA EMPHASIZED THAT GOIC CONTINUED TO FAVOR FOREIGN DIRECT INVESTMENT IN IVOIRIAN ECONOMY; HOWEVER, AT THE SAME TIME, THE GOVERNMENT MUST SUPPORT IVOIRIAN ENTREPRENEURS. IN COLGATE SITUATION, IVOIRIANS HAD PRESENTED PROJECT SIMILAR TO COLGATE LIMITED OFFICIAL USE

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PROPOSAL AND GOIC HAD MADE EVERY EFFORT TO PROMOTE SOME FORM OF JOINT VENTURE BETWEEN THE TWO PARTIES. COLGATE REPRESENTATIVES, ACCORDING TO DIARRA, FAILED TO REALIZE THAT "TIMES HAD CHANGED" AND THAT IT IS BECOMING INCREASINGLY UNPOPULAR IN THIRD WORLD TO HAVE 100 PERCENT FOREIGN OWNERSHIP. THIS, PLUS FACT THAT COLGATE PLANNED TO IMPORT ALL ITS RAW MATERIALS RATHER THAN USE LOCALLY PRODUCED PALM OIL AND TO RAISE A SIGNIFICANT PORTION OF EQUITY FINANCING ON DOMESTIC CAPITAL MARKET, MADE COLGATE

PROPOSAL APPEAR INCREASINGLY LESS ATTRACTIVE.

E. DIARRA INFORMED EMBOFFS THAT WITHIN NEXT TWO OR THREE DAYS GOIC WOULD BE DECIDING WHICH PROPOSAL TO ACCEPT; IF COLGATE'S POSITION REGARDING LOCAL PARTICIPATION DID NOT CHANGE, GOVERNMENT WOULD DISAPPROVE COLGATE'S REQUEST. (SEE TANANARIVE A-39 OF APRIL 3, 1973 REPORTING THAT GOM REFUSED A COLGATE PROPOSAL FOR ESSENTIALLY THE SAME REASONS.)

3. ACTION REQUESTED: DIARRA AGREED TO SEEK DEFERRAL OF GOVERNMENT DECISION UNTIL HE HEARD ANEW CONCERNING COLGATE'S INTENTIONS. EMBASSY RECOMMENDS THAT DEPARTMENT CONTACT DIETEMAN (OR OTHER APPROPRIATE COLGATE OFFICIAL) A) TO INFORM HIM THAT GOIC LIKELY TO DISAPPROVE COLGATE'S REQUEST UNLESS A COMPROMISE CAN BE REACHED WITH IROIRIAN ENTREPRENEURS; B) TO EXPLAIN "FACTS OF LIFE" OF NEW INVESTMENT IN LDC'S INCLUDING HOST COUNTRY PARTICIPATION; AND C) TO ASK WHETHER ANY MODIFICATION IN COLGATE'S POSITION IS LIKELY. DEPARTMENT REQUESTED TO INFORM EMBASSY ASAP AND PREFERABLY NOT LATER THAN COB TUESDAY MAY 7 OF COLGATE'S RESPONSE.

SMITH

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4. COMMENT: MINISTER DIAWARA IS OBVIOUSLY IN DIFFICULT POSITION: WISHES TO MAINTAIN IMAGE OF FAVORABLE INVESTMENT CLIMATE IN IVORY COAST, BUT AT SAME TIME TO FOSTER DEVELOPMENT OF ENTREPRENEURSHIP BY IVOIRIAN NATIONALS. HE APPARENTLY VIEWS COLGATE'S

INTRANSIGENCE AS AN EXAMPLE OF HOW MULTI-NATIONAL CORPORATIONS CAN ABUSE POWER AND EXHIBIT LACK OF REALISM. EMBASSY RECOGNIZES THAT COLGATE HAS LEGITIMATE COMPLAINT THAT ONLY AT LATE STAGES OF NEGOTIATIONS WERE THEY NOTIFIED OF POTENTIAL IVOIRIAN INTEREST. IF IVORY COAST, BECAUSE OF COLGATE'S REFUSAL TO NEGOTIATE IVOIRIAN PARTICIPATION, TURNS DOWN COLGATE'S PROPOSAL, IVORY COAST RUNS RISK THAT COLGATE WILL SPREAD UNFAVORABLE PICTURE TO OTHER FOREIGN INVESTERS. HOWEVER, EMBASSY BELIEVES DIAWARA WILLING TO RUN THIS RISK IN ORDER TO SUPPORT INTERESTS OF LOCAL BUSINESSMEN. EMBASSY HOPES COLGATE WILL MODIFY ITS POSITION. BUT IN VIEW OF HISTORY OF PROPOSED PROJECT, EMBASSY NOT SANGUINE THAT ELEVENTH HOUR ATTEMPT TO SALVAGE SAME WILL BE SUCCESSFUL. NONETHELESS, EMBASSY RECOMMENDS THAT SUCH AN ATTEMPT BE MADE. SMITH

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